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National Intelligence Bulletin

State Dept. review completed

DIA review(s) completed.

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June 28, 1975

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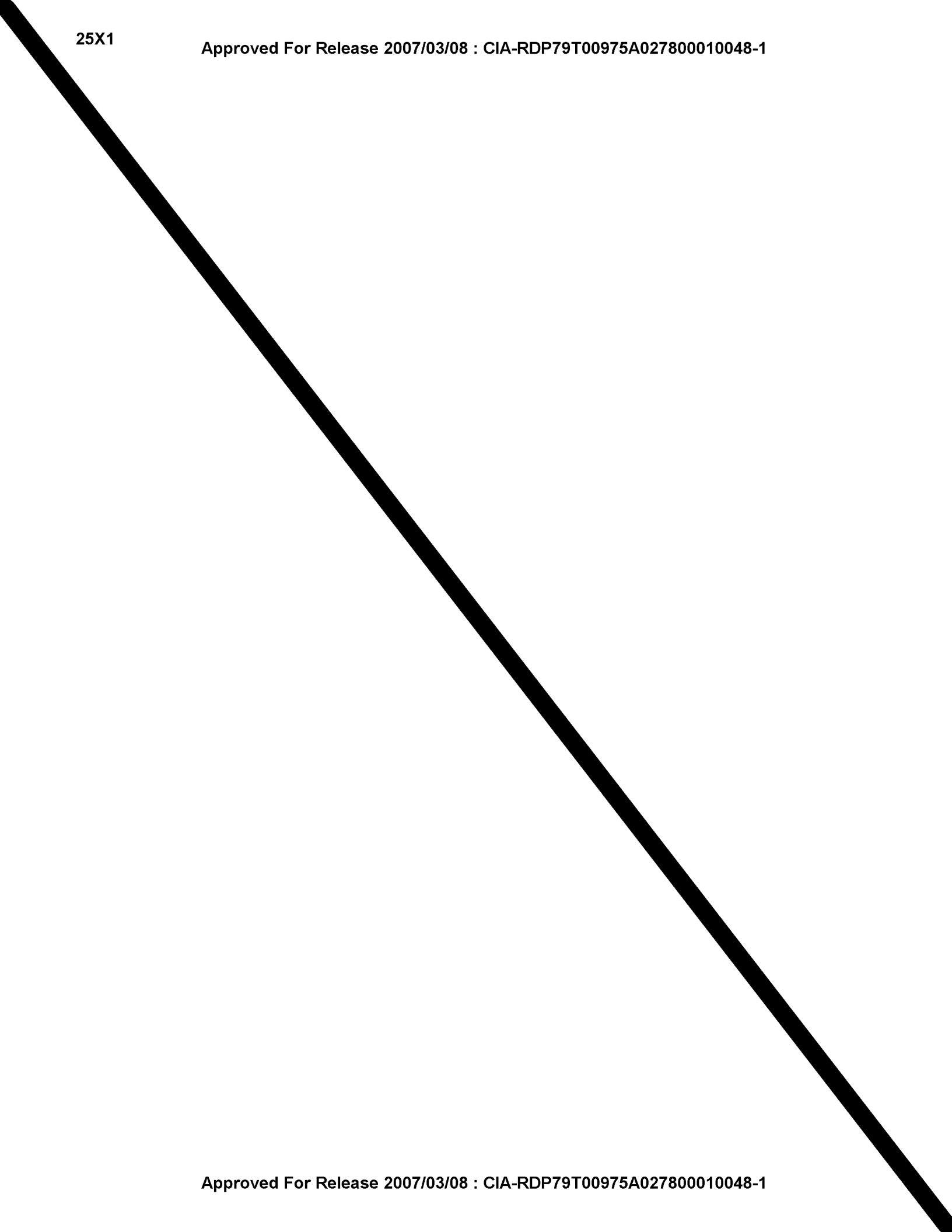

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National Intelligence Bulletin

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National Intelligence Bulletin

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LEBANON

Fighting in Beirut has intensified sharply in the past two days. The Lebanese police say at least 45 persons were killed during the 24-hour period that ended yesterday morning.

The chief antagonists are still the Lebanese security forces on one side and Lebanese and fedayeen radicals on the other. The Phalangist militia has been involved to a limited extent, primarily in erecting roadblocks to protect its positions, but the Lebanese army and the large fedayeen organizations have stayed on the sidelines.

The US embassy has been unable to confirm several reports that Fatah forces have independently fought the radical fedayeen. Palestinian and Lebanese forces are still going out on joint patrols.

The intense firing Thursday night, which was heavier than any firing in April and May, probably was the result of a determined effort by the security services to move against and eradicate a group of pro-fedayeen Lebanese leftists in the Shiyah district of Beirut. These leftists apparently include Lebanese Communists, members of the Syrian Socialist National Party, and parts of several Libyan-backed Nasirist groups.

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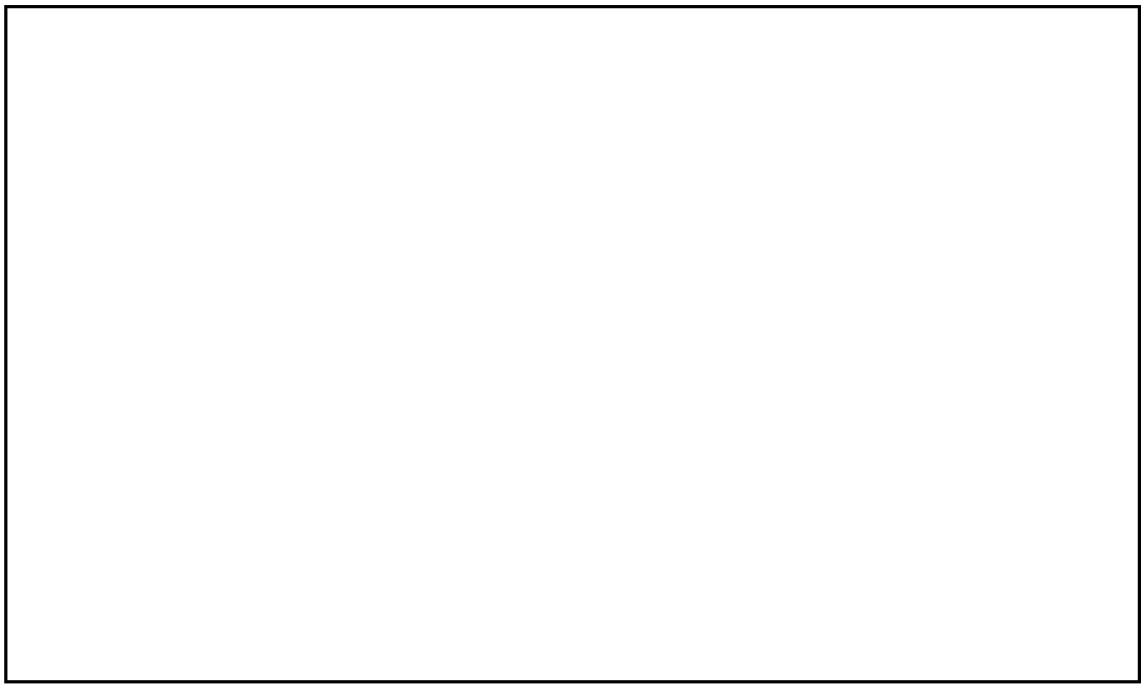

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A state of emergency would give the army broad powers. In the past, this usually has involved the imposition of a curfew for a few days, press censorship for a longer period, protection by army units of important installations, and tank patrols in Beirut. Declaration of a state of emergency will be avoided if possible, as it would significantly increase the risk of direct hostilities between the army and the main Palestinian forces. In addition, it would probably prompt Rashid Karami to abandon his month-long effort to form a new government.

Karami is still going through the motions, but the feeling is growing in Beirut that he is at impasse. Karami is scheduled to leave Beirut tomorrow to attend a ceremony in his home town in northern Lebanon, and he may simply not return.

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INDIA

Some demonstrations erupted in India yesterday in opposition to Prime Minister Gandhi's recent actions, but security forces appear to have handled them. A number of opposition leaders not apprehended in Thursday's roundup apparently have gone underground.

Mrs. Gandhi pressed forward with a counterattack aimed at stabilizing her position within the Ruling Congress Party and among the populace. She met with party leaders to seek advice on possible new economic programs and the best approach to improving the party's organization at the grass-roots level.

In a nationwide radio speech yesterday, she sought again to justify both her crackdown on the opposition and the imposition of press censorship. She promised to announce important new economic measures within the next two or three days. Gandhi specifically said that these would not include further nationalizations or an extension of government controls.

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ARGENTINA

In an effort to ease the most serious confrontation yet with organized labor, President Peron last night participated with labor leaders in a nationally televised discussion of workers' problems. It was clear that no solution had been reached, but the President probably bought time.

Earlier in the day, the potent Peronist labor confederation staged a general strike and demonstrations to protest Economy Minister Rodrigo's call for the annulment of recently negotiated wage contracts that specified huge increases. Despite President Peron's appeal to workers not to heed the strike call, as many as 100,000 converged on the downtown area for a mass protest, while security forces took up positions nearby.

Yesterday's actions were the culmination of a series of sporadic work stoppages and demonstrations in a number of cities. Workers have been aroused by recent, massive price increases and successive efforts by the government to limit salary increases. The price hikes, as well as the devaluation of the peso, were among the first measures announced by Rodrigo, who took office a month ago.

Labor had rejected suggested wage increases of 38 and then 45 percent. Contracts worked out less than a week ago between labor and management called for increases of up to 130 percent, more in keeping with the sharp rise in prices.

Chief presidential adviser Lopez Rega—who arranged for the appointment of Rodrigo, his protege—probably was behind the move to overturn the wage increases. For some time now, it has been apparent that Lopez Rega, acting through Rodrigo, seeks to undermine labor leaders by thwarting their efforts to secure substantial wage increases. This factor, as well as growing worker dissatisfaction, have led union officials to press hard.

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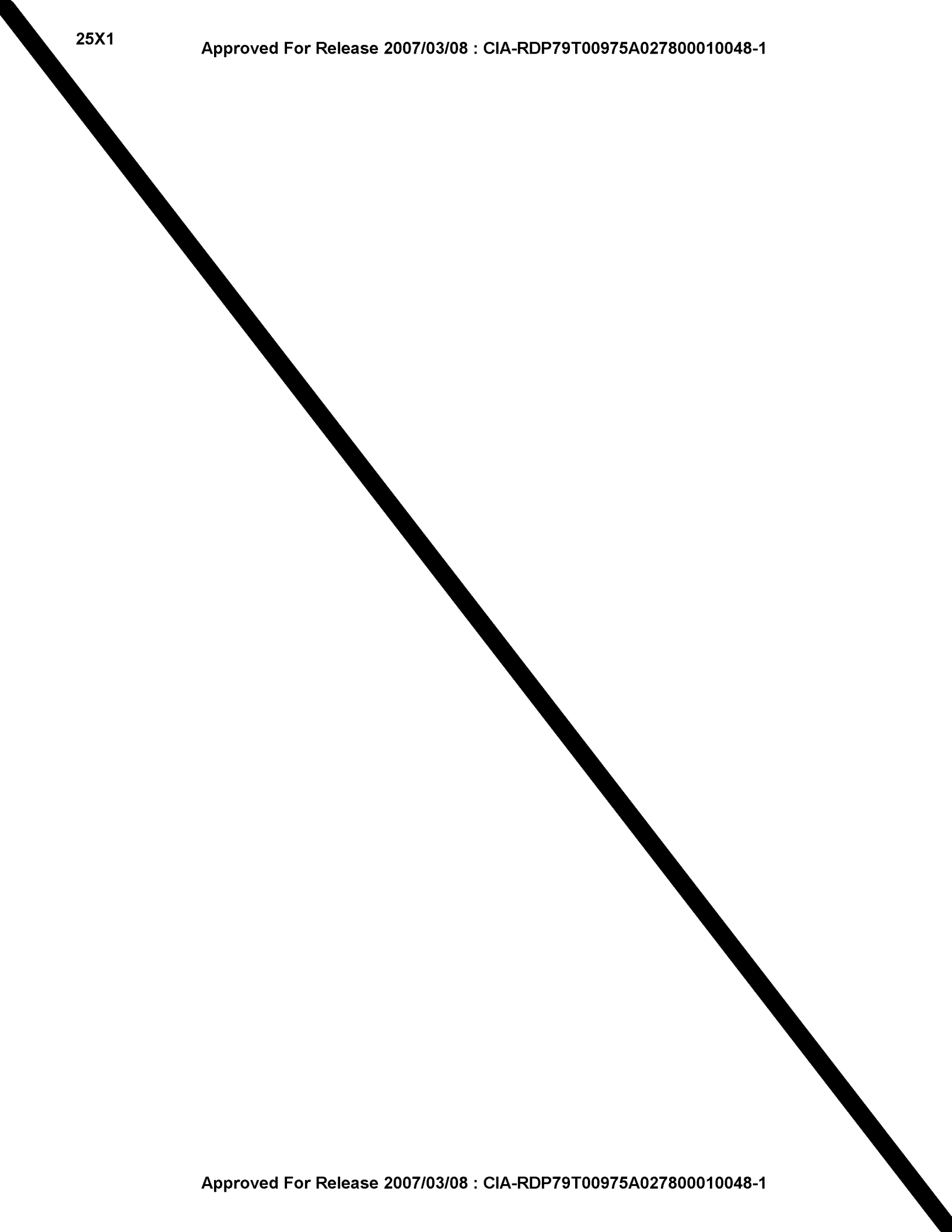

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USSR-INDIA

Moscow has come out firmly on the side of Prime Minister Gandhi in the present crisis in India. On June 27, *Pravda* published the full text of Gandhi's emergency decree, commenting that it was needed to defend India against reactionaries.

The Soviet Union's open support of Gandhi is hardly surprising. The Soviets probably expect that she can carry off her political gamble, and they almost certainly regard her as more friendly than any likely successor. The Soviets may hope that Gandhi's present problems will force her to become more dependent both on pro-Soviet elements within the Ruling Congress Party and on the Moscow-oriented Indian communists.

Judging from Soviet propaganda and private statements, Moscow is determined to head off what it foresees will be a major effort by China to expand its influence in the post - Indochina war period. Under these circumstances, the Soviets will do what they can to establish even closer relations with their friends in Asia. Moscow regards New Delhi as an important counterweight to China and thus sees the situation in India as a potential opportunity to undercut Chinese policy by strengthening Soviet influence in New Delhi. [redacted]

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LAOS

Prime Minister Souvanna Phouma told the US charge yesterday that Pathet Lao Deputy Prime Minister Phoumi Vongvichit recently suffered a heart attack at communist headquarters in Sam Neua and has indefinitely postponed his return to Vientiane. Phoumi has been in Sam Neua since early June for an extended meeting of the Lao Communist Party Central Committee.

Souvanna said he received word of Phoumi's seizure on Thursday by telegram from Sam Neua. The Prime Minister seemed to know few details of Phoumi's condition, but evidently did not think it was serious. Souvanna informed the charge that he was postponing his departure for France with the King from mid-July to late August, a move apparently triggered by Phoumi's reported illness.

It is possible that Phoumi may have indeed suffered a heart attack. He is 66 years old and has been the hardest working senior Pathet Lao official in the 14-month-old coalition government. Moreover, in recent months, Phoumi has become the dominant political leader in Vientiane and, in his absence, nothing moves.

It is also possible that Phoumi's illness could be political. The hard-liners in Sam Neua may have judged that Phoumi's moderate political image, which served communist interests well over the past year, is no longer necessary or useful to their effort to gain total control over the coalition government.

There has been no official announcement thus far from Sam Neua on Phoumi's illness. Communist headquarters did announce yesterday, however, the departure of Pathet Lao leader Prince Souphanouvong from Sam Neua to Luang Prabang by way of Hanoi. Phoumi was not mentioned in the Pathet Lao radio broadcast, nor was he in attendance at Sam Neua airport to see Souphanouvong off.

Souphanouvong's departure indicates that the Central Committee has finally adjourned its three-week strategy session. The results of that session, particularly future Pathet Lao policy regarding Lao internal political developments and relations with the US, may become clear as early as next week, when Souphanouvong presides over the annual session of the coalition's Joint National Political Council in Luang Prabang.

A Central Committee policy statement broadcast by the Pathet Lao yesterday may have contained a preview of some of the things to come. Aside from the

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standard polemical brickbats tossed at Lao "ultrarightist reactionaries," the broadcast took a relatively flexible position on the subject of relations with the US and Thailand that allows considerable room for maneuver.

The broadcast said the Lao communists were "of the view" that the coalition government should maintain relations with the US "on the basis of equality as with any other country," but added that Washington must immediately cease "all intervention and involvement" in internal Lao affairs. It also called on the US to "make earnest contributions to heal the wounds of war in Laos," an obvious pitch for continued American financial assistance in the form of war reparations.

As for Thailand, the Central Committee statement indicated that "the Lao people are ready to forget the past...and to maintain friendly relations with the Thai government." It added, however, that Bangkok must not allow the US to use its bases in Thailand to "threaten" Laos, or permit Lao "reactionaries" to take refuge on Thai soil.

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UK

The Wilson government and leaders of the Trades Union Congress are developing separate--and in some respects, divergent--plans aimed at cutting Britain's mounting inflation. Over the past year or so, price rises, triggered principally by higher wages, have run at an annual rate of 25 percent, but month-to-month changes in April and May accelerated at an annual rate of about 60 percent.

Chancellor of the Exchequer Healey has told US Ambassador Richardson that he has almost complete cabinet backing for his voluntary plan to reduce the annual inflation rate to 10 percent by the fall of 1976. To achieve this goal, neither private industry nor the nationalized industries would be permitted to pass wage increases on to the consumer. In addition, nationalized industries would be required to maintain investment at existing levels.

Healey admitted that this policy could lead to cutbacks in employment and services and undoubtedly lead to labor disputes. He believes that the government must be willing to remain firm, even in the face of threatened strike action. The government's record on this score has not been good; approximately 30-percent wage increases were won by railway workers last week shortly after Prime Minister Wilson announced that the government would not capitulate to the union's demands.

The general council of the Trades Union Congress, meanwhile, has endorsed its own six-point plan that, among other things, calls for:

--A price-level target that would limit annual price increases to about 15 percent by mid-1976;

--a wage-level target relating wage increases to price rises and permitting wage hikes of from $20 to $25 a week;

--reduction of unemployment in 1976 to 500,000 persons, instead of the at least 1 million currently predicted.

Even if the government and Congress leaders agree on one plan, their efforts to curb inflation voluntarily will be troubled by two factors: some important trade unions, such as the mine workers and the engineers, are opposed to any sort of interference in wage negotiations; and union leaders will find their members reluctant to curb wage demands.

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If voluntary restraints on inflation do not work, the government may have to resort to other measures. It could decrease expenditures in certain areas—public facilities, social services, and defense have been mentioned—or it could raise taxes. Healey, however, admitted to Ambassador Richardson that in the end the government probably would have to impose statutory wage and price controls, despite opposition to such measures by many Tories and Laborites.

Healey claims the public recognizes that the country is in trouble, and opinion polls indicate that a majority of workers favor some type of statutory wage-price policy. In his opinion, the key to success of a statutory program is to maintain public support. This can be achieved only if the program is implemented fairly and is of short duration—six months to a year.

Healey may be overly optimistic. Union members would favor price controls, but not wage restraints, especially if their standard of living declined. Many union leaders and government officials now acknowledge, however, that there may have to be a temporary lowering of living standards if the economy is to be stabilized.

In the past, unions circumvented controls by insisting that their cases were "special." Healey recently indicated that the country's current problems are so acute that the government cannot accept "special cases." In considering whether to impose controls, the government will be torn between the need to curb inflation and recognition that one of the reasons for the demise of the previous Tory government was its effort to enforce wage controls.

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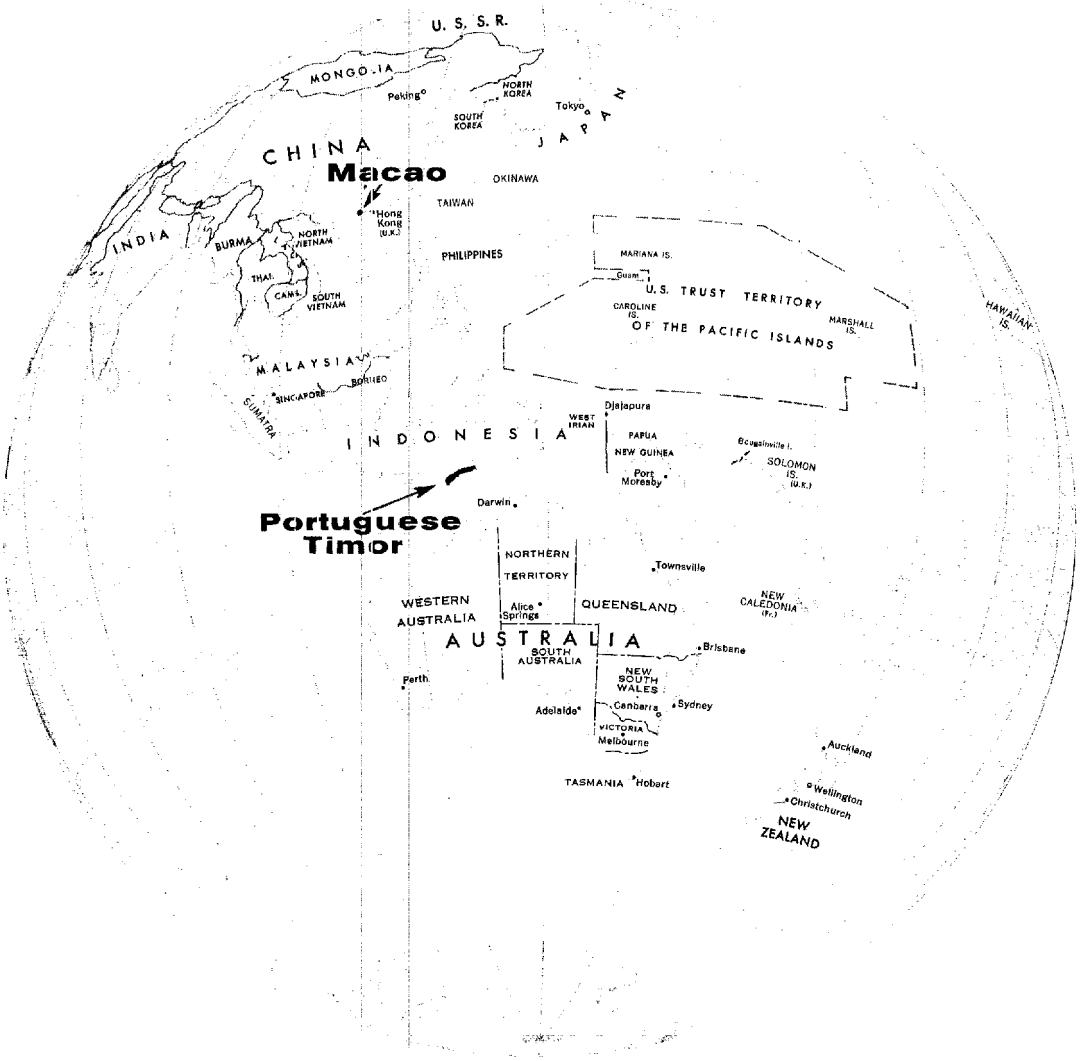
Portugal's Asian Territories



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PORTUGAL

With the decolonization process well under way in Africa, Portugal's military government has now turned its attention to the settlement of colonial affairs in Asia.

Portuguese officials have begun discussions on a decolonization plan for Portuguese Timor with representatives of two of the three Timorese political parties. The meeting, which is being held in Macao, was expected to begin on June 15, but was delayed until yesterday by administrative issues.

The Portuguese had difficulty persuading all three parties to attend. One of the groups, a radical movement favoring immediate independence for Timor, is boycotting the talks, rather than sit down with representatives of the party that advocates merger with Indonesia.

Official spokesmen at the talks have cautioned not to expect too much from the meetings, but the Portuguese appear determined to move ahead and end their role on the island as quickly as possible. After the talks have concluded, the Portuguese delegation will submit a report to the ruling Revolutionary Council, which will draw up a decree-law setting a time schedule for Timor's decolonization, according to roving ambassador Vitor Alves.

The discussions are based on a study drawn up by Portugal and submitted to Timor's three political parties. The proposals have not been released to the public, but Portuguese representatives have pointed out that the decolonization process for Timor will be similar to that in other Portuguese overseas territories. According to Timorese delegates to the conference, this includes the formation of a provisional government by the end of the year and elections for a popular assembly in 1976.

The Portuguese are anxious to keep the process as painless as possible and will probably attempt to satisfy those who favor independence, and at the same time try to avoid offending the Indonesians. The latter have made no secret of their desire to annex the territory. The Portuguese may look to a popular referendum as the best way to resolve the dilemma.

The Indonesians have assumed a more relaxed attitude about Timor in recent weeks and now are apparently convinced that they will eventually gain control of the island. Indonesian intelligence officials are presumably keeping close tabs on the Macao meetings.

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The Portuguese delegation will also take advantage of its stay in Macao to discuss the draft political statute for that island with local officials. The statute is expected to maintain the Portuguese administration of Macao, but will probably allow greater autonomy in local matters. The governor of Macao has indicated that a local police command will replace Portuguese army units and a legislative assembly will be elected.

In deference to Peking's desire to maintain the status quo, Portugal has not given Macao the option for independence that has been granted to all the other territories. Portugal is anxious to curry China's favor, in hopes of establishing diplomatic relations. Thus far, the Chinese have remained aloof, although there has been limited contact through third-party intermediaries. The Chinese will probably remain at a distance until they are convinced that Portugal will not fall into the Soviet orbit.

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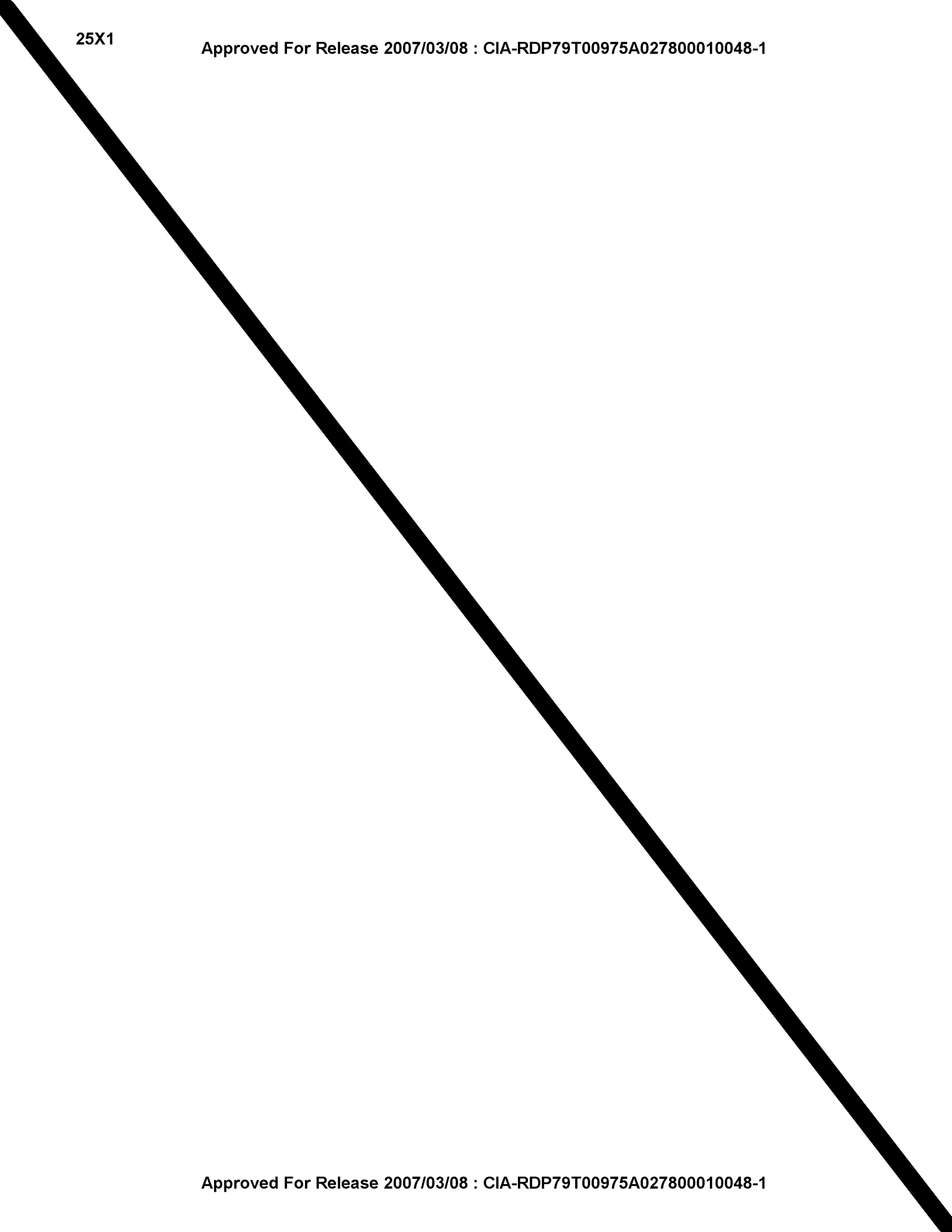

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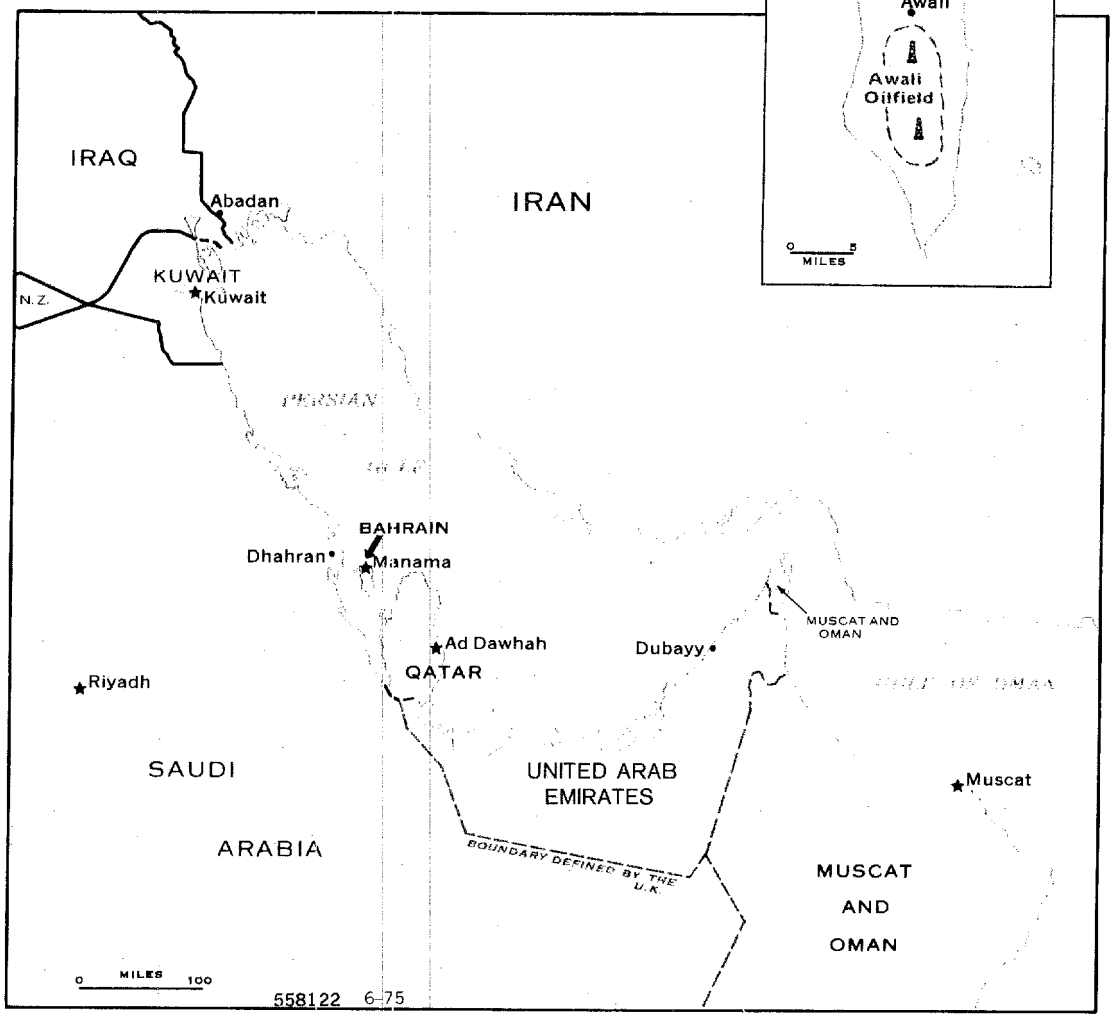
Sheikhdom of BAHRAIN

Area: 230 sq. miles
plus group of smaller islands
Population: 210,000
Religion: Muslim
Language: Arabic



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BAHRAIN

Bahrain's foreign minister has informed the US ambassador in Manama that the US Navy's Middle East Force must leave the Persian Gulf island by June 30, 1977. Bahrain will extend the stationing agreement until that time on the basis of understandings reached in recent talks.

The royal family in Bahrain has long felt that the US naval force reinforced the regime's position by adding to the security of the island. Recently, however, the government has come under pressure, both from the National Assembly and from neighboring Gulf states, to terminate the agreement.

Bahrain's decision seems to have been sparked, in part, by proposals circulating in the Gulf region for some kind of security pact. The proposals have been accompanied by statements from regional leaders opposing the presence of foreign powers in the area. The foreign minister explained that although his government considers any such pact to be years away, it wishes to strengthen Bahrain's nationalist credentials for bargaining purposes.

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PERU

President Velasco's power may be eroding. Senior and middle grade Peruvian naval officers forced Velasco to dismiss Navy Minister Vice Admiral Faura on Wednesday after orders were given to move the entire fleet out of the port of Callao—the move that most likely precipitated the ouster.

The demonstrated unity of the naval officer corps is believed to have forced President Velasco to remove the unpopular Faura. He has been replaced by Vice Admiral Galvez, formerly minister of housing, who is well liked by most senior naval personnel. Galvez respects Velasco's likely successor, Prime Minister and Minister of War General Morales Bermudez, which will strengthen the latter's position.

Faura's ouster is the latest of a number of recent indications that a power shift may be under way in Peru. Radical generals Graham and Rodriguez have recently been the target of presidential displeasure and are expected to be removed shortly. It is likely that the President's willingness to fire Faura will be viewed as a further sign of weakness, perhaps increasing calls for Morales Bermudez to assume power.

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BRAZIL

The officially sanctioned opposition party in Brazil, the Brazilian Democratic Movement, is taking every opportunity to strengthen itself by assuming highly nationalistic positions on questions of domestic interest. The latest issue—US efforts to delay signing of the nuclear agreement with West Germany—has enabled opposition leaders to improve their standing with the administration and with military conservatives by joining with government officials and the press in criticizing Washington.

During the past week, one opposition member of the legislature requested support elsewhere in Latin America to defend the continent's technological independence, while another said publicly that Argentina already has an atomic bomb. The latest move was to publish in one of Brazil's leading newspapers a strong attack on US efforts to impede the signing, which took place on June 26.

The opposition party has been taking a consistently nationalistic line on a number of other issues, notably the activities of transnational corporations in Brazil that are now being investigated by a congressional committee, primarily because of pressure from the Brazilian Democratic Movement. This approach considerably complicates the Brazilian political scene, since many conservative military officers now pressing for the reinstatement of political controls on the opposition also are strongly nationalistic. Opposition politicians are probably hoping to exploit this ambivalence to reduce the possibility of a crackdown on their activities.

Opposition legislators also reportedly are attempting to curry favor with the armed forces by introducing a proposal to increase the wages of all military personnel. This effort may be short-lived, however; military conservatives have prepared a document that accuses the opposition party of attempting to divide the armed forces, a crime under the national security law.

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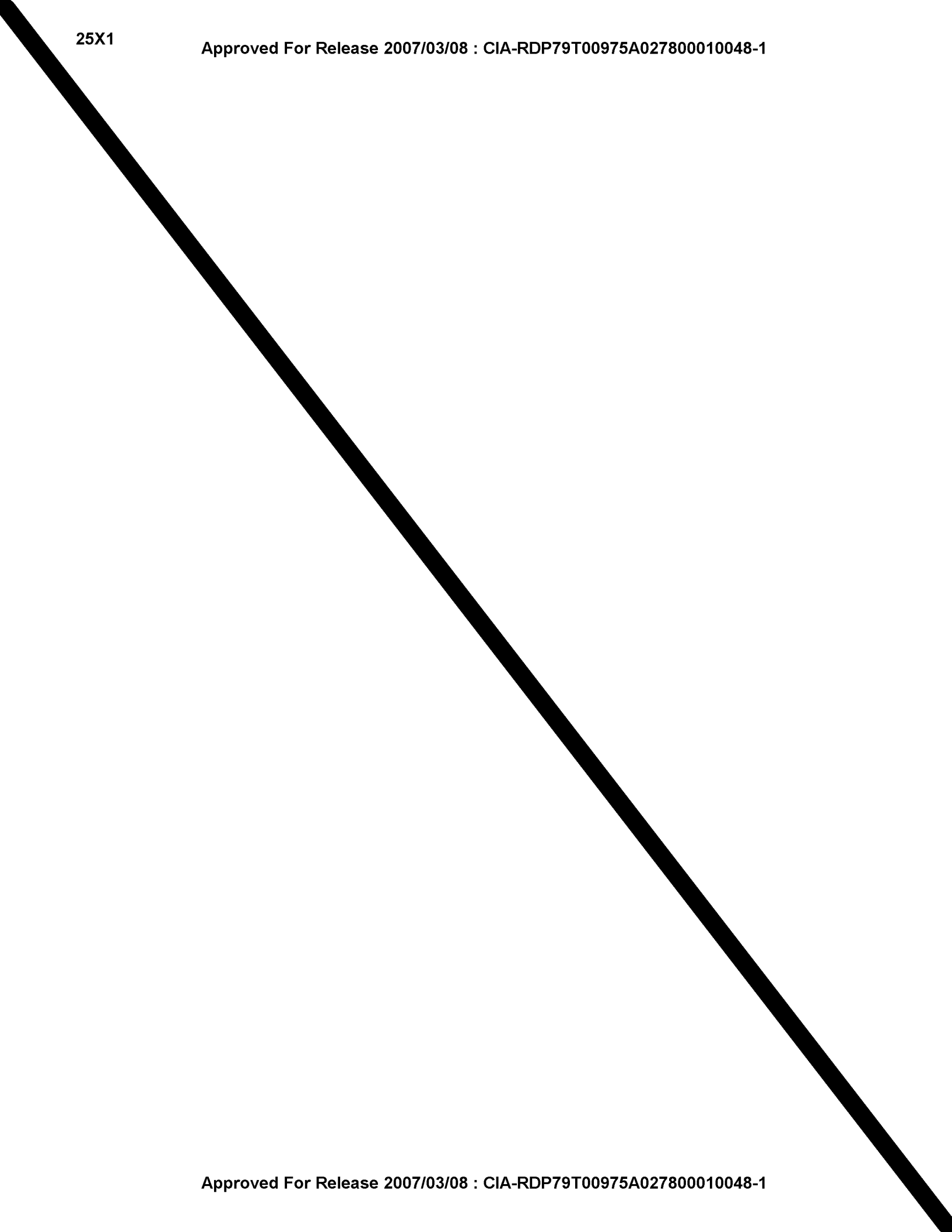

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USSR-CZECHOSLOVAKIA: A modified SA-4 Ganef surface-to-air missile is believed to be operational. During a military parade in Prague on May 9, six modified Ganefs were displayed. It was also in a parade in Moscow last November, but has not yet been reported as operational with an SA-4 unit. The new version of the Ganef has a nose section about two feet shorter than the original missile and is believed to have better sustained maneuverability than the original. Current SA-4 ground equipment is apparently compatible with both missiles. [redacted]

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